

How to Determine the Number of Full-time Employees on an “Annual Full-time Equivalent” Basis

Examples & Worksheets

For purposes of computing the “aggregate employee compensation package” for the California Competes Tax Credit, the number of full-time employees employed by an applicant is determined on an “annual full-time equivalent” basis. Only employees that work on average 35 hours or more per week in California are taken into consideration for this computation. For employees that are paid hourly wages, one annual full-time equivalent employee equals 1,750 hours worked for the applicant during the tax year. For employees that are paid a salary, one annual full-time equivalent employee equals 50 weeks worked for the applicant during the tax year. For this computation, the use of the term “worked” means the number of hours or weeks for which an employee receives paid wages including, but not be limited to paid vacation, sick leave, or holidays.

Example 1

ABC Inc. employed 10 full-time hourly employees in 2012. In 2013, all 10 of the full-time employees from 2012 worked more than 1,750 hours each and the company hired an additional 20 full-time hourly employees. 12 of the new employees were hired in January 2013 and each worked 1,750 hours in 2013. The other 8 employees were hired in July and worked 875 hours each in 2013. The number of full-time employees employed by ABC Inc. in 2013, determined on an “annual full-time equivalent” basis, would be calculated as follows:

1. Number of hourly full-time employees that you employed for 1,750 hours or more = 22
(10 from 2012 that worked all of 2013 + 12 hired in January 2013 = 22)
2. Number of salaried employees that you employed for 50 weeks or more = 0
3. Number of hourly full-time employees that worked less than 1,750 hours during the year = 8
4. Total number of hours worked by the employees in question 3 = 7,000
(8 employees x 875 hours worked = 7,000 hours)
5. Divide the answer in line 4 by 1,750 = 4
6. Number of salaried full-time employees that worked less than 50 weeks during the year = 0
7. Total number of weeks worked by the employees in question 6 = 0
8. Divide the answer in line 7 by 50 = 0
9. Add the answer to lines 1, 2, 5 and 8 = 26

In 2013, ABC Inc. employed a total of 26 employees, determined on “annual full-time equivalent” basis.

Example 2

XYZ Inc. employed 20 full-time salaried employees in 2012. In 2013, all 20 of the full-time employees from 2012 worked more than 50 weeks each and the company hired an additional 30 full-time salaried employees. 10 of the new employees were hired in January 2013 and each worked 50 weeks in 2013. The other 20 employees were hired in September and each worked 16 weeks in 2013. The number of full-time employees employed by XYZ Inc. in 2013, determined on an “annual full-time equivalent” basis, would be calculated as follows:

1. Number of hourly full-time employees that you employed for 1,750 hours or more = 0
2. Number of salaried employees that you employed for 50 weeks or more = 30
(20 from 2012 that worked all of 2013 + 10 hired in January 2013 = 30)
3. Number of hourly full-time employees that worked less than 1,750 hours during the year = 0
4. Total number of hours worked by the employees in question 3 = 0
5. Divide the answer in line 4 by 1,750 = 0
6. Number of salaried full-time employees that worked less than 50 weeks during the year = 20
7. Total number of weeks worked by the employees in question 6 = 320
(20 employees x 16 weeks worked = 320 weeks)
8. Divide the answer in line 7 by 50 = 6.4
9. Add the answer to lines 1, 2, 5 and 8 = 36.4

In 2013, XYZ Inc. employed a total of 36.4 employees, determined on “annual full-time equivalent” basis.

Example 3

123 Inc. employed 10 full-time hourly employees and 20 full-time salaried employees in 2012. In 2013, all 10 of the full-time hourly employees from 2012 worked more than 1,750 hours each and all 20 of the full-time salaried employees worked more than 50 weeks each and the company hired an additional 50 full-time hourly employees and 100 full-time salaried employees. 10 of the new hourly employees and 25 of the new salaried employees were hired in January 2013 and each worked all year. 20 of the new hourly employees were hired in July 2013 and each worked 875 hours in 2013. The remaining 20 hourly employees were hired in November 2013 and each worked 350 hours in 2013. 50 of the salaried employees were hired in August 2013 and each worked 21 weeks in 2013. The remaining 25 salaried employees were hired in

December 2013 and each worked 3 weeks. The number of full-time employees employed by 123 Inc. in 2013, determined on an “annual full-time equivalent” basis, would be calculated as follows:

1. Number of hourly full-time employees that you employed for 1,750 hours or more = 20
(10 from 2012 that worked all of 2013 + 10 hired in January 2013 = 20)
2. Number of salaried employees that you employed for 50 weeks or more = 45
(20 from 2012 that worked all of 2013 + 25 hired in January 2013 = 45)
3. Number of hourly full-time employees that worked less than 1,750 hours during the year = 40
4. Total number of hours worked by the employees in question 3 = 24,500
(20 employees x 875 hours worked + 20 employees x 350 hours worked = 24,500 hours)
5. Divide the answer in line 4 by 1,750 = 14
6. Number of salaried full-time employees that worked less than 50 weeks during the year = 75
7. Total number of weeks worked by the employees in question 6 = 1,125
(50 employees x 21 weeks worked + 25 employees x 3 weeks worked = 1,125 weeks)
8. Divide the answer in line 7 by 50 = 22.5
9. Add the answer to lines 1, 2, 5 and 8 = 101.5

In 2013, 123 Inc. employed a total of 101.5 employees, determined on “annual full-time equivalent” basis.

NOTE: The amounts you enter in the worksheets below will be used as the basis for the California Competes Tax Credit agreements. For any applicant that is a member of a “controlled group of corporations,” as defined in Revenue and Taxation Code section 23626, all employees of all corporations that are members of the same controlled group of corporations shall be treated as employed by a single applicant.

Base Year Annual Full-time Equivalent Worksheet

1. Number of hourly full-time employees that you employed in California for 1,750 hours or more during the 2013 tax year =
2. Number of salaried full-time employees that you employed in California for 50 weeks or more during the 2013 tax year =
3. Number of hourly full-time employees in California that worked less than 1,750 hours during the 2013 tax year =
4. Total number of hours worked by the employees in question 3 =

5. Divide the answer in line 4 by 1,750 =
6. Number of salaried full-time employees in California that worked less than 50 weeks during the 2013 tax year =
7. Total number of weeks worked by the employees in question 6 =
8. Divide the answer in line 7 by 50 =
9. Add the answer to lines 1,2, 5 and 8 =

The answer to question 9 is the number of employees you employed in the base year, determined on an annual full-time equivalent basis. Transfer this number to the "Base Year ATFEs" field in the "Aggregate Employee Compensation Package Calculator".

NOTE: The figures in the worksheets below should represent a good faith projection of the number of employees that will be employed in California by the applicant. The amounts you enter in the worksheets will be used as the basis for the California Competes Tax Credit agreements.

2014 Tax Year Annual Full-time Equivalent Worksheet

1. Number of hourly full-time employees that you will employ in California for 1,750 or more hours during the 2014 tax year =
2. Number of salaried full-time employees that you will employ in California for 50 weeks or more during the 2014 tax year =
3. Number of hourly full-time employees that will work less than 1,750 hours in California during the 2014 tax year =
4. Total number of hours the employees in question 3 will work during the 2014 tax year =
5. Divide the answer in line 4 by 1,750 =
6. Number of salaried full-time employees that will work less than 50 weeks in California during the 2014 tax year =
7. Total number of weeks the employees in question 6 will work during the 2014 tax year =
8. Divide the answer in line 7 by 50 =
9. Add the answer to lines 1,2, 5 and 8 =

The answer to question 9 is the number of employees you will employ in 2014 tax year, determined on an annual full-time equivalent basis. Transfer this number to the "2014 Tax Year AFTes" field in the "Aggregate Employee Compensation Package Calculator".

2015 Tax Year Annual Full-time Equivalent Worksheet

1. Number of hourly full-time employees that you will employ in California for 1,750 or more hours during the 2015 tax year =
2. Number of salaried full-time employees that you will employ in California for 50 weeks or more during the 2015 tax year =
3. Number of hourly full-time employees that will work less than 1,750 hours in California during the 2015 tax year =
4. Total number of hours the employees in question 3 will work during the 2015 tax year =
5. Divide the answer in line 4 by 1,750 =
6. Number of salaried full-time employees that will work less than 50 weeks in California during the 2015 tax year =
7. Total number of weeks the employees in question 6 will work during the 2015 tax year =
8. Divide the answer in line 7 by 50 =
9. Add the answer to lines 1,2, 5 and 8 =

The answer to question 9 is the number of employees you will employ in 2015 tax year, determined on an annual full-time equivalent basis. Transfer this number to the "2015 Tax Year AFTes" field in the "Aggregate Employee Compensation Package Calculator".

2016 Tax Year Annual Full-time Equivalent Worksheet

1. Number of hourly full-time employees that you will employ in California for 1,750 or more hours during the 2016 tax year =
2. Number of salaried full-time employees that you will employ in California for 50 weeks or more during the 2016 tax year =
3. Number of hourly full-time employees that will work less than 1,750 hours in California during the 2016 tax year =
4. Total number of hours the employees in question 3 will work during the 2016 tax year =
5. Divide the answer in line 4 by 1,750 =
6. Number of salaried full-time employees that will work less than 50 weeks in California during the 2016 tax year =
7. Total number of weeks the employees in question 6 will work during the 2016 tax year =
8. Divide the answer in line 7 by 50 =
9. Add the answer to lines 1,2, 5 and 8 =

The answer to question 9 is the number of employees you will employ in 2016 tax year, determined on an annual full-time equivalent basis. Transfer this number to the “2016 Tax Year AFTEs” field in the “Aggregate Employee Compensation Package Calculator”.

2017 Tax Year Annual Full-time Equivalent Worksheet

1. Number of hourly full-time employees that you will employ in California for 1,750 or more hours during the 2017 tax year =
2. Number of salaried full-time employees that you will employ in California employ for 50 weeks or more during the 2017 tax year =
3. Number of hourly full-time employees that will work less than 1,750 hours in California during the 2017 tax year =
4. Total number of hours the employees in question 3 will work during the 2017 tax year =
5. Divide the answer in line 4 by 1,750 =
6. Number of salaried full-time employees that will work less than 50 weeks in California during the 2017 tax year =
7. Total number of weeks the employees in question 6 will work during the 2017 tax year =
8. Divide the answer in line 7 by 50 =
9. Add the answer to lines 1,2, 5 and 8 =

The answer to question 9 is the number of employees you will employ in 2017 tax year, determined on an annual full-time equivalent basis. Transfer this number to the “2017 Tax Year AFTEs” field in the “Aggregate Employee Compensation Package Calculator”.

2018 Tax Year Annual Full-time Equivalent Worksheet

1. Number of hourly full-time employees that you will employ in California for 1,750 or more hours during the 2018 tax year =
2. Number of salaried employees that you will employ in California for 50 weeks or more during the 2018 tax year =
3. Number of hourly full-time employees that will work less than 1,750 hours in California during the 2018 tax year =
4. Total number of hours the employees in question 3 will work during the 2018 tax year =
5. Divide the answer in line 4 by 1,750 =

6. Number of salaried full-time employees that will work less than 50 weeks in California during the 2018 tax year =
7. Total number of weeks the employees in question 6 will work during the 2018 tax year =
8. Divide the answer in line 7 by 50 =
9. Add the answer to lines 1,2, 5 and 8 =

The answer to question 9 is the number of employees you will employ in 2018 tax year, determined on an annual full-time equivalent basis. Transfer this number to the "2018 Tax Year AFTes" field in the "Aggregate Employee Compensation Package Calculator".